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15 May 1955

MEMORANDUM TO THE BOARD

SUBJECT: NIE 11-3-55

1. This Yugoslav business is the last straw. I do not believe that we can issue NIE 11-3-55 in its present form without appearing a little ridiculous. Even if a postponement becomes necessary, I think some changes have got to be made.

2. Attached is a re-draft of Conclusions O, P and Q, which I propose for your attention. It seems to me that a new Conclusion O is essential; at a pinch Conclusions P and Q could probably stay as they are in the text. If some such revision as this one is adopted, Paragraph O should replace Paragraph 135 of the Discussion, in spite of some obvious disadvantages in its doing so. Relatively few changes would be required in other paragraphs of the Discussion, even if Conclusions P and Q are redrafted.

3. I recommend that we summon the agency representatives to a meeting at 1:30 Monday afternoon, and try to get them to agree on changes in time to submit to the IAC Tuesday as planned.

As

Abbot Smith

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O. Soviet diplomacy during the period of this estimate will almost certainly continue to combine moves seemingly intended to ease international tensions with others which in fact increase such tensions, and with political warfare pressures calculated to play upon the non-Communist world's fear of war. At present the USSR is engaged in very active diplomacy on a number of important issues -- Austria, disarmament, Yugoslavia -- and has made considerable concessions, though no real sacrifices. This phase may continue for some time. It is possible that the Soviet leaders desire to achieve a substantial and prolonged reduction of international tensions, at least in Europe. This desire could arise from concern over the economic situation within the Bloc, over the increasing strength of the West, or over the situation in the Far East; available evidence neither proves nor disproves these hypotheses. We think it much more likely, however, that the current Soviet diplomatic efforts are primarily directed toward preventing the rearmament of West Germany in close alliance with the West, and that the ground is being prepared for new Soviet proposals on this subject, perhaps at Four Power meetings during this summer.

P. The principal objective of Soviet policy in Europe is to obtain a solution of the German problem favorable to Soviet interests. Prevention or slowing down of West German rearmament and blocking the development of West Germany's ties with the NATO powers have first priority. To achieve these aims, Soviet policy will almost

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certainly make great efforts to influence the situation in West Germany itself. The Soviet leaders probably calculate that by sedulous encouragement of German hopes for unification they can, over the course of time, increase neutralist feeling in West Germany, greatly complicate the relations of the West German government with its NATO partners, and undermine unity of purpose within the NATO alliance. The settlement of the Austrian problem, together with the recent Soviet proposals on disarmament and perhaps also the current advances to Yugoslavia, probably represent in considerable degree an attempt by the Soviet leaders to influence West German opinion. It is possible, though we still consider it unlikely, that the current phase of Soviet diplomacy may culminate in a genuine offer to withdraw from East Germany, in exchange for a guaranteed neutralization of a united Germany and a Soviet share in international control over German armament.

Q. If such measures did not, in the Soviet view, succeed in countering the developing threat of West German rearmament, we believe that the USSR would turn to more rigorous policies, including a sharp build-up of Soviet and Satellite military capabilities. They might also adopt more threatening courses of action against Berlin, or in the Far East, or elsewhere, with the purpose of arousing fear of nuclear war in the West and causing Western peoples to demand that their governments pursue a cautious policy. We believe that even at this stage the USSR would still avoid courses of action which in its judgment clearly entailed the probability of general war, and that it would, in the long run, accommodate itself to the situation of increased Western strength which would be presented by a rearmed West Germany in NATO.

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